

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7081

BILL NUMBER: HB 1810

NOTE PREPARED: Jan 9, 2007

BILL AMENDED:

SUBJECT: Sales Tax Exemption for Instructional Materials.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that sales of instructional materials are exempt from the state Sales Tax if: (1) the instructional materials are required for a course at an accredited college or university; and (2) the purchaser is a student enrolled in an accredited college or university or the parent or guardian of a student enrolled in an accredited college or university.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: This bill will reduce Sales Tax revenue between \$6.2 M and \$12.5 per year. The bill provides a Sales Tax exemption for sales of instructional materials that are required for a college course, and purchased by the student or the student's parent or guardian.

The estimate above includes is based on National Retail Federation statistics involving back to school spending on college textbooks, college school supplies, and computer supplies. The bottom range of this estimate represents the total decrease in Sales Tax from exempting the sale of all college textbooks. The high range of this estimate represents the total decrease in Sales Tax from exempting the sale of college textbooks, college school supplies, and back to school spending on computer supplies. Ultimately the exact amount of the impact will be determined by the number of sales of textbooks and supplies that are actually required for a course. This estimate will also be impacted to the extent that a college offers free or discounted electronic

access to, or discounted prices for, certain required instructional materials.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: National Retail Federation's *2006 Back-to-School Consumer Intentions and Actions Survey*; BIGresearch July 2006; Enrollment statistics from the National Center for Education Statistics, http://nces.ed.gov/programs/digest/d04_tf.asp.

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